

One of two questions that most accountants are asking lawyers - right now
The Exercises
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1 The exercises

In each of the following 13 examples the person allocated the example is required to do the following:

Calculate the trust's distributable income	
Calculate the trust's taxable income	
Advise the trustee of the most tax effective distribution having regard to the deed, the receipts and the proposed amendments	
Draft any documents required to effect a valid distribution (ignore that you might be engaging in legal practice)	

1.1. Example 1

Draft the distribution resolutions for the trust below making the assumptions set out in the table about trust's characteristics, receipts and expenses during the accounting period:

DIM	Type 1 and deed that does not address streaming			
Default time for determination of income	26 June			
Default time for distribution of income	by the last day of the accounting period			
Primary beneficiaries	Mum & Dad			
1 st Secondary beneficiary	Kid 1 (>18)			
2 nd Secondary beneficiary	Kid 2 (<18)			
Corporate beneficiary	ABC Pty Ltd			
Receipts quarantined and accumulated and carried forward as income in a previous accounting period	Nil			
Carried forward capital losses	Nil			
Non deductible outgoings (tax penalty)	Nil			
Receipts			Distributable income	Taxable income
	Trading income (sale of software)	100,000		
	Rental income			
	Franked dividends	71,000		
	Unfranked dividends	8,000		
	Interest income			
	Distribution from another trust	23,000		
	Fully assessable capital gain on the sale of shares	12,000		
	Discount capital gain	40,000		
Expenses				
	Estate agents fees	16,000		
	Interest expense	98,000		
	Bank fees	7,000		
	Utilities	2,000		
	Accounting fees	16,000		
	Legal fees	15,000		
	Wages	4,000		

1.2. Example 2

Draft the distribution resolutions for the trust below making the assumptions set out in the table about trust's characteristics, receipts and expenses during the accounting period:

DIM	Type 2 and deed permits streaming			
Default time for determination of income	26 June			
Default time for distribution of income	by the last day of the accounting period			
Primary beneficiaries	Mum & Dad			
1 st Secondary beneficiary	Kid 1 (>18)			
2 nd Secondary beneficiary	Kid 2 (<18)			
Corporate beneficiary	ABC Pty Ltd			
Receipts quarantined and accumulated and carried forward as income in a previous accounting period	Nil			
Carried forward capital losses	Nil			
Non deductible outgoings (tax penalty)	Nil			
Receipts			Distributable income	Taxable income
	Trading income (sale of software)	100,000		
	Rental income			
	Franked dividends	71,000		
	Unfranked dividends	8,000		
	Interest income			
	Distribution from another trust	23,000		
	Fully assessable capital gain on the sale of shares	12,000		
	Discount capital gain	40,000		
Expenses				
	Estate agents fees	16,000		
	Interest expense	98,000		
	Bank fees	7,000		
	Utilities	2,000		
	Accounting fees	16,000		
	Legal fees	15,000		
	Wages	4,000		

1.3. Example 3

Draft the distribution resolutions for the trust below making the assumptions set out in the table about trust's characteristics, receipts and expenses during the accounting period:

DIM	Type 2 and deed that does not permit streaming			
Default time for determination of income	26 June			
Default time for distribution of income	by the last day of the accounting period			
Primary beneficiaries	Mum & Dad			
1 st Secondary beneficiary	Kid 1 (>18)			
2 nd Secondary beneficiary	Kid 2 (<18)			
Corporate beneficiary	ABC Pty Ltd			
Receipts quarantined and accumulated and carried forward as income in a previous accounting period	Nil			
Carried forward capital losses	Nil			
Non deductible outgoings (tax penalty)	Nil			
Receipts			Distributable income	Taxable income
	Trading income (sale of software)	100,000		
	Rental income			
	Franked dividends	71,000		
	Unfranked dividends	8,000		
	Interest income			
	Distribution from another trust	23,000		
	Fully assessable capital gain on the sale of shares	12,000		
	Discount capital gain	40,000		
Expenses				
	Estate agents fees	16,000		
	Interest expense	98,000		
	Bank fees	7,000		
	Utilities	2,000		
	Accounting fees	16,000		
	Legal fees	15,000		
	Wages	4,000		

1.4. Example 4

Draft the distribution resolutions for the trust below making the assumptions set out in the table about trust's characteristics, receipts and expenses during the accounting period:

DIM	Type 3 and deed permits streaming			
Default time for determination of income	26 June			
Default time for distribution of income	by the last day of the accounting period			
Primary beneficiaries	Mum & Dad			
1 st Secondary beneficiary	Kid 1 (>18)			
2 nd Secondary beneficiary	Kid 2 (<18)			
Corporate beneficiary	ABC Pty Ltd			
Receipts quarantined and accumulated and carried forward as income in a previous accounting period	Nil			
Carried forward capital losses	Nil			
Non deductible outgoings (tax penalty)	Nil			
Receipts			Distributable income	Taxable income
	Trading income (sale of software)	100,000		
	Rental income			
	Franked dividends	71,000		
	Unfranked dividends	8,000		
	Interest income			
	Distribution from another trust	23,000		
	Fully assessable capital gain on the sale of shares	12,000		
	Discount capital gain	40,000		
Expenses				
	Estate agents fees	16,000		
	Interest expense	98,000		
	Bank fees	7,000		
	Utilities	2,000		
	Accounting fees	16,000		
	Legal fees	15,000		
	Wages	4,000		

1.5. Example 5

Draft the distribution resolutions for the trust below making the assumptions set out in the table about trust's characteristics, receipts and expenses during the accounting period:

DIM	Type 3 and deed does not address streaming			
Default time for determination of income	26 June			
Default time for distribution of income	by the last day of the accounting period			
Primary beneficiaries	Mum & Dad			
1 st Secondary beneficiary	Kid 1 (>18)			
2 nd Secondary beneficiary	Kid 2 (<18)			
Corporate beneficiary	ABC Pty Ltd			
Receipts quarantined and accumulated and carried forward as income in a previous accounting period	Nil			
Carried forward capital losses	Nil			
Non deductible outgoings (tax penalty)	Nil			
Receipts			Distributable income	Taxable income
	Trading income (sale of software)	100,000		
	Rental income			
	Franked dividends	71,000		
	Unfranked dividends	8,000		
	Interest income			
	Distribution from another trust	23,000		
	Fully assessable capital gain on the sale of shares	12,000		
	Discount capital gain	40,000		
Expenses				
	Estate agents fees	16,000		
	Interest expense	98,000		
	Bank fees	7,000		
	Utilities	2,000		
	Accounting fees	16,000		
	Legal fees	15,000		
	Wages	4,000		

1.6. Example 6

Draft the distribution resolutions for the trust below making the assumptions set out in the table about trust's characteristics, receipts and expenses during the accounting period:

DIM	Type 4 and deed does not address streaming			
Default time for determination of income	26 June			
Default time for distribution of income	by the last day of the accounting period			
Primary beneficiaries	Mum & Dad			
1 st Secondary beneficiary	Kid 1 (>18)			
2 nd Secondary beneficiary	Kid 2 (<18)			
Corporate beneficiary	ABC Pty Ltd			
Receipts quarantined and accumulated and carried forward as income in a previous accounting period	Nil			
Carried forward capital losses	Nil			
Non deductible outgoings (tax penalty)	Nil			
Receipts			Distributable income	Taxable income
	Trading income (sale of software)	100,000		
	Rental income			
	Franked dividends	71,000		
	Unfranked dividends	8,000		
	Interest income			
	Distribution from another trust	23,000		
	Fully assessable capital gain on the sale of shares	12,000		
	Discount capital gain	40,000		
Expenses				
	Estate agents fees	16,000		
	Interest expense	98,000		
	Bank fees	7,000		
	Utilities	2,000		
	Accounting fees	16,000		
	Legal fees	15,000		
	Wages	4,000		

1.7. Example 7

Draft the distribution resolutions for the trust below making the assumptions set out in the table about trust's characteristics, receipts and expenses during the accounting period:

DIM	Type 4 and deed permits streaming			
Default time for determination of income	26 June			
Default time for distribution of income	by the last day of the accounting period			
Primary beneficiaries	Mum & Dad			
1 st Secondary beneficiary	Kid 1 (>18)			
2 nd Secondary beneficiary	Kid 2 (<18)			
Corporate beneficiary	ABC Pty Ltd			
Receipts quarantined and accumulated and carried forward as income in a previous accounting period	Nil			
Carried forward capital losses	Nil			
Non deductible outgoings (tax penalty)	Nil			
Receipts			Distributable income	Taxable income
	Trading income (sale of software)	100,000		
	Rental income			
	Franked dividends	71,000		
	Unfranked dividends	8,000		
	Interest income			
	Distribution from another trust	23,000		
	Fully assessable capital gain on the sale of shares	12,000		
	Discount capital gain	40,000		
Expenses				
	Estate agents fees	16,000		
	Interest expense	98,000		
	Bank fees	7,000		
	Utilities	2,000		
	Accounting fees	16,000		
	Legal fees	15,000		
	Wages	4,000		

1.8. Example 8

Draft the distribution resolutions for the trust below making the assumptions set out in the table about trust's characteristics, receipts and expenses during the accounting period:

DIM	Type 3 and deed permits streaming			
Default time for determination of income	26 June			
Default time for distribution of income	by the last day of the accounting period			
Primary beneficiaries	Mum & Dad			
1 st Secondary beneficiary	Kid 1 (>18)			
2 nd Secondary beneficiary	Kid 2 (<18)			
Corporate beneficiary	ABC Pty Ltd			
Receipts quarantined and accumulated and carried forward as income in a previous accounting period	25,000			
Carried forward capital losses	Nil			
Non deductible outgoings (tax penalty)	Nil			
Receipts			Distributable income	Taxable income
	Trading income (sale of software)	100,000		
	Rental income			
	Franked dividends	71,000		
	Unfranked dividends	8,000		
	Interest income			
	Distribution from another trust	23,000		
	Fully assessable capital gain on the sale of shares	12,000		
	Discount capital gain	40,000		
Expenses				
	Estate agents fees	16,000		
	Interest expense	98,000		
	Bank fees	7,000		
	Utilities	2,000		
	Accounting fees	16,000		
	Legal fees	15,000		
	Wages	4,000		

1.9. Example 9

Draft the distribution resolutions for the trust below making the assumptions set out in the table about trust's characteristics, receipts and expenses during the accounting period:

DIM	Type 3 and deed does not address streaming			
Default time for determination of income	26 June			
Default time for distribution of income	by the last day of the accounting period			
Primary beneficiaries	Mum & Dad			
1 st Secondary beneficiary	Kid 1 (>18)			
2 nd Secondary beneficiary	Kid 2 (<18)			
Corporate beneficiary	ABC Pty Ltd			
Receipts quarantined and accumulated and carried forward as income in a previous accounting period	25,000			
Carried forward capital losses	Nil			
Non deductible outgoings (tax penalty)	Nil			
Receipts			Distributable income	Taxable income
	Trading income (sale of software)	100,000		
	Rental income			
	Franked dividends	71,000		
	Unfranked dividends	8,000		
	Interest income			
	Distribution from another trust	23,000		
	Fully assessable capital gain on the sale of shares	12,000		
	Discount capital gain	40,000		
Expenses				
	Estate agents fees	16,000		
	Interest expense	98,000		
	Bank fees	7,000		
	Utilities	2,000		
	Accounting fees	16,000		
	Legal fees	15,000		
	Wages	4,000		

1.10. Example 10

Draft the distribution resolutions for the trust below making the assumptions set out in the table about trust's characteristics, receipts and expenses during the accounting period:

DIM	Type 3 and deed permits streaming			
Default time for determination of income	26 June			
Default time for distribution of income	by the last day of the accounting period			
Primary beneficiaries	Mum & Dad			
1 st Secondary beneficiary	Kid 1 (>18)			
2 nd Secondary beneficiary	Kid 2 (<18)			
Corporate beneficiary	ABC Pty Ltd			
Receipts quarantined and accumulated and carried forward as income in a previous accounting period	Nil			
Carried forward capital losses	80,000			
Non deductible outgoings (tax penalty)	Nil			
Receipts			Distributable income	Taxable income
	Trading income (sale of software)	100,000		
	Rental income			
	Franked dividends	71,000		
	Unfranked dividends	8,000		
	Interest income			
	Distribution from another trust	23,000		
	Fully assessable capital gain on the sale of shares	12,000		
	Discount capital gain	40,000		
Expenses				
	Estate agents fees	16,000		
	Interest expense	98,000		
	Bank fees	7,000		
	Utilities	2,000		
	Accounting fees	16,000		
	Legal fees	15,000		
	Wages	4,000		

1.11. Example 11

Draft the distribution resolutions for the trust below making the assumptions set out in the table about trust's characteristics, receipts and expenses during the accounting period:

DIM	Type 3 and deed does not address streaming			
Default time for determination of income	26 June			
Default time for distribution of income	by the last day of the accounting period			
Primary beneficiaries	Mum & Dad			
1 st Secondary beneficiary	Kid 1 (>18)			
2 nd Secondary beneficiary	Kid 2 (<18)			
Corporate beneficiary	ABC Pty Ltd			
Receipts quarantined and accumulated and carried forward as income in a previous accounting period	Nil			
Carried forward capital losses	80,000			
Non deductible outgoings (tax penalty)	Nil			
Receipts			Distributable income	Taxable income
	Trading income (sale of software)	100,000		
	Rental income			
	Franked dividends	71,000		
	Unfranked dividends	8,000		
	Interest income			
	Distribution from another trust	23,000		
	Fully assessable capital gain on the sale of shares	12,000		
	Discount capital gain	40,000		
Expenses				
	Estate agents fees	16,000		
	Interest expense	98,000		
	Bank fees	7,000		
	Utilities	2,000		
	Accounting fees	16,000		
	Legal fees	15,000		
	Wages	4,000		

1.12. Example 12

Draft the distribution resolutions for the trust below making the assumptions set out in the table about trust's characteristics, receipts and expenses during the accounting period:

DIM	Type 3 and deed permits streaming			
Default time for determination of income	26 June			
Default time for distribution of income	by the last day of the accounting period			
Primary beneficiaries	Mum & Dad			
1 st Secondary beneficiary	Kid 1 (>18)			
2 nd Secondary beneficiary	Kid 2 (<18)			
Corporate beneficiary	ABC Pty Ltd			
Receipts quarantined and accumulated and carried forward as income in a previous accounting period	Nil			
Carried forward capital losses	Nil			
Non deductible outgoings (tax penalty, parking fines, etc)	12,000			
Receipts			Distributable income	Taxable income
	Trading income (sale of software)	100,000		
	Rental income			
	Franked dividends	71,000		
	Unfranked dividends	8,000		
	Interest income			
	Distribution from another trust	23,000		
	Fully assessable capital gain on the sale of shares	12,000		
	Discount capital gain	40,000		
Expenses				
	Estate agents fees	16,000		
	Interest expense	98,000		
	Bank fees	7,000		
	Utilities	2,000		
	Accounting fees	16,000		
	Legal fees	15,000		
	Wages	4,000		

1.13. Example 13

Draft the distribution resolutions for the trust below making the assumptions set out in the table about trust's characteristics, receipts and expenses during the accounting period:

DIM	Type 3 and deed does not address streaming			
Default time for determination of income	26 June			
Default time for distribution of income	by the last day of the accounting period			
Primary beneficiaries	Mum & Dad			
1 st Secondary beneficiary	Kid 1 (>18)			
2 nd Secondary beneficiary	Kid 2 (<18)			
Corporate beneficiary	ABC Pty Ltd			
Receipts quarantined and accumulated and carried forward as income in a previous accounting period	Nil			
Carried forward capital losses	Nil			
Non deductible outgoings (tax penalty, parking fines, etc)	12,000			
Receipts			Distributable income	Taxable income
	Trading income (sale of software)	100,000		
	Rental income			
	Franked dividends	71,000		
	Unfranked dividends	8,000		
	Interest income			
	Distribution from another trust	23,000		
	Fully assessable capital gain on the sale of shares	12,000		
	Discount capital gain	40,000		
Expenses				
	Estate agents fees	16,000		
	Interest expense	98,000		
	Bank fees	7,000		
	Utilities	2,000		
	Accounting fees	16,000		
	Legal fees	15,000		
	Wages	4,000		